

Ukraine

CONTEMPORARY ISSUES


Ukraine as an independent country is very young, born when the Soviet Union (USSR) broke apart in December 1991. Ukraine's historical ties to Russia are strong. Indeed, Kiev, the capital of Ukraine, was the cradle of early Russian civilization. Because of this, Ukraine's independence from Russia is still somewhat tenuous. Over the past 300 years, Ukraine has been independent from Russia only two other times: once in 1918 (for only 15 months), and again in 1941 when it was conquered by a German invasion during WWII.



Even as a republic of the Soviet Union, Ukraine was formed from three distinct regions. Ukrainians populated the central part, the core of Ukrainian identity. The western part of Ukraine belonged to Poland until 1918. The eastern part and Crimea in the south were part of Russia and were mostly populated by Russians. Although Ukraine is now a united country, this west-east division can still be seen in its people's political views.

Under Josef Stalin's controlling leadership of the Soviet Union, Ukraine became the main farming region of the USSR as well as a key industrial region with vast coal resources. To mark the importance and identity of Ukraine, Stalin even lobbied to give it an independent UN seat when the UN was created in 1945. However, Ukrainians were considered “Little Russians” by the Russians who controlled most positions of power. Consequently, Ukrainians grew to resent Russia during the Soviet period.

In 1991 Ukraine, under President Leonid Kravchuk, was one of the driving forces behind the breakup of the Soviet Union along with Russia and Belarus. Since that time, Ukraine has undergone dramatic changes, including democratization and large-scale economic reforms. But it has been a difficult journey, with a swing from hyperinflation to a 60% decline in its GDP since 1991. In December 1994, Leonid Kuchma, the former leader of Ukrainian separatism, replaced Kravchuk as president and accelerated economic reforms.

<p>Flag</p>  <p><i>The blue and yellow colors of the current flag represent the return of the traditional Ukrainian flag from 1848. It was suppressed by the communist government until 1991.</i></p>	<p>Ukraine: Facts</p> <table border="0"> <tr> <td>Capital</td> <td>Kiev</td> </tr> <tr> <td>Government</td> <td>Republic</td> </tr> <tr> <td>Government Head (President)</td> <td>Viktor Yushchenko</td> </tr> <tr> <td>Economy</td> <td>Capitalist</td> </tr> <tr> <td>Independence</td> <td>1991</td> </tr> <tr> <td>Area (sq. km)</td> <td>603,700</td> </tr> <tr> <td>Population (millions)</td> <td>46</td> </tr> <tr> <td>Adult Literacy</td> <td>99.4%</td> </tr> <tr> <td>Pop. Growth Rate</td> <td>-0.675%</td> </tr> </table>	Capital	Kiev	Government	Republic	Government Head (President)	Viktor Yushchenko	Economy	Capitalist	Independence	1991	Area (sq. km)	603,700	Population (millions)	46	Adult Literacy	99.4%	Pop. Growth Rate	-0.675%
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Source: CIA World Fact book. Military data for year 2005. All others for year 2007. GDP figures are in Purchasing Power Parity. Tuberculosis data and Health Care % of GDP from WHO for year 2004.

In the early 1990s, Ukraine made the major decision to hand back all of its nuclear missiles to Russia in exchange for aid from the US and Russia. Despite the poor state of Ukraine's economy, Kuchma was re-elected president in November 1999 and promised to continue pursuing economic reforms and closer ties to the West.

Elections were held in December of 2004 to determine Kuchma's successor. Votes were clearly divided between east-west national lines: Eastern Ukrainians voted for European-oriented Mr. Yushchenko and Western Ukrainians supported the Russian-leaning Mr. Yanukovich. Official election results proclaimed Viktor Yushchenko the winner by a narrow margin to runner-up Viktor Yanukovich. Mr. Yanukovich and some international observers claimed that the election was fraudulent, which led to a massive political crisis and brought thousands of Ukrainians to Kiev's central Independence Square to protest. The "Orange Revolution," (so named because of the orange color that supporters of Mr. Yushchenko wore) was portrayed by local and international media as a democratic movement that would bring new liberties to Ukrainians and accountability to the government. The protests caused the Ukrainian Supreme Court to void the results of the first election and call for a second round. Mr. Yushchenko was declared the winner of the second round. The next presidential elections will be held in 2010.

UKRAINE TODAY

Ukraine is in Eastern Europe, bordering the Black Sea. Its neighbors are Poland, Romania, and Moldova to the west and Russia to the east. In size, it is slightly smaller than Texas. Ukraine is considered an emerging market country because it is making a transition to a free market economy. It is attempting to become a democracy. The country has only been independent once before in the past 300 years. Up until 1991, it was part of the former Soviet Union.

As a newly independent nation, Ukraine's political institutions are immature. The constitution was adopted in 1996. In 2006, it changed its form of government to a parliamentary-presidential democracy. Ukraine's public opinion is divided between the Russian-leaning eastern regions and the more European-leaning western provinces. The divide is reflected in its parliament. With no political party a clear majority, coalition governments

are needed. It is harder to build a consensus on issues with coalition governments. Thus Ukraine's political situation remains unstable with many changes in party alliances, leadership, and laws.

The Ukrainian economy struggles with the same immaturity as the political realm. Because it was part of a larger country, it lacks the diversity of businesses of a typical independent country. For example, Ukraine had been known as the "breadbasket" of the USSR for it was blessed with rich farmlands. After a decline in its economy for the first 10 years of its existence, the country is beginning to find its footing. While some market reforms have been implemented, much more could be done, such as reducing the government bureaucracy and increasing privatization.

One thing Ukrainians can agree upon is a desire to remain independent. But Ukraine has reason to feel insecure about Russian intentions. Russia delights in using its oil and natural gas that Ukraine needs as an economic weapon. Three times in recent years Russia has either reduced or cut off the gas flowing in a pipeline to Ukraine. This has caused alarm in the EU countries, for they also rely on Russian gas imports through this pipeline. Ukraine understands the value in maintaining good relations with Russia. But it has also forged closer ties with the EU and the US as a buffer against Russian aggression. Ukraine is interested in joining NATO, but Russian President Putin has threatened to aim some nuclear missiles at Ukraine if it joins the organization and allows the US to install an anti-missile shield. Thus independence has been an eventful ride for Ukraine, and much more work could be done for the country to develop politically and economically.

Human Rights

When under the umbrella of the former Soviet Union, Ukraine was part of a socialist state that lacked any semblance of individual rights. While Ukraine has expressed a desire to become a democracy, there is much work to be done on human rights. The present leadership seems to be taking its cue from the Russians when it comes to freedom of the press. In 2000, Gregoriy Gongadze, a prominent journalist, was murdered. When a trial of three suspects was held in 2005, it was thought to be a human rights breakthrough. But the weak court system failed to complete the trial. Since then, there has been a rise in journalist beatings and attacks. Censorship, political and economic pressure, and lawsuits have also been used against journalists. Independent journalists still exist, but most are afraid to criticize the government in public.

The young country's Constitution provides safeguards for human rights, but not many human rights cases have been tried. The power of the Constitutional Court remains untested. There continue to be reports of human rights violations by security forces, especially against detainees and prisoners. Also persisting is significant anti-Semitism as well as discrimination and violence toward women and minorities.

Child labor is not a significant problem in Ukraine. Children under 17 years old are prohibited from employment, and education is compulsory through the age of 15. The education system is well developed, and the compulsory education law is strictly enforced. Illegal trafficking of children to other countries for underage labor is an issue with which Ukraine struggles.

Violence against women goes largely unreported. When domestic violence occurs, the authorities often exert pressure on women to drop charges against their husbands in order to preserve the family. Sexual trafficking in women to Western and Central Europe, Turkey, and the Middle East is reportedly a problem. Unfortunately, the authorities rarely prosecute men for engaging women in sexually exploitative work.

The law guarantees women equal pay for equal work, and this principle is generally observed. Also, women's educational opportunities are generally equal with men's. However, there are still very few women at the

top levels of government and private industry. Traditional male-female roles are still prevalent in Ukraine, particularly in rural areas.

Regarding the treatment of minorities, there is no official discrimination against minorities in Ukraine. The Ukrainian Constitution forbids racial discrimination, and Ukraine also has its Law on National Minorities and a Law Forbidding the Sowing of Interethnic Hatred to try to prevent ethnic strife. Still, anti-Semitism and discrimination continue to exist at the individual level. Also, there is often tension between the central government and Crimea because Crimea has a majority Russian population and would like to have greater autonomy from Ukraine as well as closer ties to Russia.

A recent issue in human rights is migration and the treatment of refugees. When Ukraine's southwestern neighbor Romania and nearby Bulgaria obtained full membership into the European Union in 2007, Ukraine found itself at the European frontier. EU migration policies that require refugees, migrants, and asylum-seekers to remain outside of EU borders have shifted the responsibility for these groups to transit countries such as Ukraine. With limited resources and a large number of its own citizens immigrating illegally into the EU, it is difficult for Ukraine to deal with these new responsibilities.

Environment

Extensive pollution is one of the legacies of the Soviet Union regime, which pursued rapid industrialization in Ukraine at any cost. Ukraine's biggest and most infamous environmental crisis was the 1986 Chernobyl nuclear power plant failure. After an explosion at the plant, there was radioactive contamination of the surrounding geographic area. It is regarded as the worst accident ever in the history of nuclear power. A plume of radioactive fallout drifted over neighboring countries, all the way to the UK and the eastern US. Large areas of Ukraine, Belarus and Russia were badly contaminated, resulting in the evacuation and resettlement of over 336,000 people. Many areas remain contaminated today. This has affected both agriculture and the health of millions of people. Thousands are thought to have died in the intervening years as a result of the radiation that leaked from the burning shell until the fire was contained. Many of the workers

who hastily encased the leaking plant in a concrete tomb later died of radioactive poisoning.

It has been a little over twenty years since the accident. The crude concrete tomb over the Chernobyl reactor is leaking. The G7 established the Chernobyl Shelter Fund to create a more permanent lid for the leaking reactor. Several international companies are constructing a movable concrete arch. It will be built off-site and then slid over the top of the reactor to seal it. It's scheduled to be completed in 2012.

Because of the shadow cast by the Chernobyl disaster, it would be assumed that Ukrainians would have concern about nuclear power plants. But Ukraine is facing energy shortages. It buys most of its oil and natural gas from Russia, which has been demanding much higher prices for these commodities. So ironically, Ukraine has again become a believer in nuclear energy. It wants nuclear energy to provide 50% of its electrical output. The country completed 2 new reactors in 2004 and has plans for 11 more by 2030.

Ukraine's other environmental concerns are air and water pollution, industrial pollution, an inadequate supply of safe drinking water, and the conservation of natural resources.

Ukraine is very interested in international and regional cooperation on environmental issues. On global warming, Ukraine supports the [Kyoto Protocol](#) and believes that reducing its [greenhouse gas emissions](#) is in Ukraine's own interest. The country ratified the Kyoto Protocol in 2004. Ukraine believes that it would suffer from global warming because of its economy, location, and envi-

ronmental situation. The government has established a Ministry of Environment that has completed a pollution fee system that levies taxes on air emissions, water emissions, and solid waste disposal has been introduced. The proceeds are used to help pay for environmental protection activities. But enforcement has been lax.

Most of the Ukrainian health care system is government-owned and financed through the national budget. The system is now in transition to a mandatory nationalized insurance system, with the EU helping the government oversee the necessary reforms to add capacity and efficiency to its health care system.

In 2004, expenditures on health care equaled about 6.5% of GDP, the same as it was at the time of Ukraine's independence in 1991. In 2002, 66% of healthcare expenditure came from public funds. Despite the level of spending, there is a shortage of facilities and of skilled health care professionals. This results in low rates of primary and preventative care and higher expenditure for specialists treating the seriously ill as outpatients.

Despite the shortage of facilities, the health of Ukraine's population has significantly increased. Infant mortality was cut in half from a high of

21 per 1,000 in 2001 to 10 per 1,000 in 2007. In that period, the average life expectancy has increased from 66 years to 68 years. On the other hand, the number of adults suffering from AIDS has increased from 10 to 14 per 1,000. Ukraine is home to one of the worst problems with HIV/AIDS in Europe. Almost all new AIDS cases are due to drug users sharing needles. The Ukrainian government has taken a number of positive steps to fight HIV/AIDS, chiefly in the area of legislative and policy reform. But these important commitments are being undermined by widespread human rights abuses against people living with HIV/AIDS in the criminal justice and health systems. When people with infectious diseases are discriminated against, they go underground and do not attempt to seek treatment. Thus the disease is more likely to be spread.

Ukraine also has high levels of new tuberculosis (TB) cases. The combined growth of these two diseases is especially alarming, as TB is the greatest immediate cause of death for AIDS patients (over 60% of HIV/AIDS related deaths have a TB connection). From 2003 to 2006 USAID funded a TB control program in Ukraine that gave on average \$1.5 million per year to assist with various aspects of fighting TB.

Ukraine: Health

Birth Rate	10/1,000
Death Rate	16/1,000
Life Expectancy - Male	62
Life Expectancy - Female	74
Infant Mortality	10/1,000
HIV/AIDS Cases	360,000
HIV/AIDS Prevalence Rate	14/1,000
Tuberculosis Rate	99/100,000

The deadly H4N1 strain of bird flu that was found in Asia and Europe in late 2005-2006 also reached Ukraine. Fourteen villages were affected, but there was no report of human infection of the virus in Ukraine.

Economy

Ukraine is a country with great economic potential. It has rich farmlands, a vast supply of natural resources, a well-developed industrial base, highly trained labor, and a good education system. But it has some bottlenecks, including poor infrastructure, an over-reliance on heavy industry, an inflexible bureaucracy, and weak courts.

Economic reforms were instituted twice in the 1990s, but resistance from both inside and outside the government hampered those reforms. The reform efforts focused heavily on privatization of state-owned industries and the promotion of international trade and investment. But corruption diminished the effect of these efforts. State firms were sold for very little money to politically connected oligarchs. However, the oligarchs are steadily becoming supporters of greater transparency, particularly for property rights. They also see the benefit of more effective laws.

After a dismal 2005, the Ukrainian economy grew at a 7% annual rate in 2006 and 2007. Long-term growth could be threatened by the government's plans to revive tax, trade, and customs privileges and maintain quotas for grain export. Many credit an overhaul of state finances and a modest economic liberalization carried out in 2001 for creating an environment for growth. In 2006, strong global demand for Ukrainian steel, chemicals, machine parts, and food products helped the coun-

try boost its exports. It also allowed Ukraine to diversify its trading partners. As recently as 10 years ago, its trade was dependent on the countries of the former Soviet Union. Now its trading partners include Germany, Turkey, Italy, China and the US as well as Russia. However, some countries, especially those that export the same products, have accused Ukraine of "dumping" its exports, pricing them at less than the cost of production. Also, while exports are rising, the country's need for imports is still very great, especially energy imports.

A painful result of independence has been the end of subsidized fuel prices by the former Soviet Union. Ukraine agreed to restructure its oil and gas debt with Russia. The deal entailed Ukraine's leasing gas pipelines to Russian gas companies in exchange for \$1.8 billion. In late 2005 and early 2006 a dispute with Russia over gas prices caused gas to be cut off to Ukraine during a record cold winter. The negotiations that followed the temporary cut-off ended in an agreement where Ukraine would pay almost double what it used to pay for Soviet gas. Under the compromise, Ukraine receives 47% more for transit of Russian gas to Europe through its territory and Ukraine also diversified its gas imports, importing less from Russia and more from Kazakhstan and Turkmenistan. In order to become less dependent on Russian gas, Ukraine plans to increase its energy efficiency and build more nuclear power plants.

The higher price Ukraine is paying for Russian oil will have an effect on its economy. The predicted global slowdown for 2008, combined with rising import costs and strong import growth, will probably create an import vs. export deficit of about 4% of GDP for 2008-09. Inflation is surging in Ukraine, reaching double digits (11.3%) in 2007. External debt has almost doubled, from \$39 billion in 2006 to \$65 billion in 2007.

Still, the export boom has allowed companies to reinvest their profits back into infrastructure. This is very good news. In the 1990s, profits were taken out of the country to safer investments in more stable countries. Now they are being kept for improvements at home. Ukrainian factories are being updated and energy-saving installations are being made.

Ukraine is not yet a member of the World Trade Organization (WTO). But WTO accession was approved in February 2008. The country has until July 2008 to rat-

Ukraine: Economics

GDP (billions)	\$321
GDP Per Capita	\$6,900
GDP Growth Rate	6.9%
Unemployment	2.5%
Inflation Rate	11.3%
Exports (billions)	\$47
Imports (billions)	\$54
External Debt (billions)	\$65

ify the deal and it will become a member 30 days after ratification. Interestingly, Ukraine achieved WTO member status before Russia. In September 2003, Ukraine, Russia, Belarus and Kazakhstan created an economic community to coordinate trade regulations and reduce tariffs. Ukraine already has a partnership agreement with the EU. In the long run, Ukraine hopes this will lead to admission into the EU. Progress towards this goal was made in late 2005 when the EU granted Ukraine market economy status. That is a condition for consideration into entering the EU. The short-term effect of this recognition is the increase in trade ties between Ukraine and Europe.

In the recent past, Ukraine relied on foreign aid, international borrowing, and foreign investment to help finance its economy. Fueled by the export boom, salaries have been rising and consumer spending is making a significant contribution to the growing economy. Sales of kitchen equipment, home electronics, and furnishings are soaring. For many Ukrainians, this is the first time they have been able to modernize their homes since the end of communism. But consumer spending is causing a rise in imports.

Foreign investors are taking note of Ukraine's growing economy. FDI has soared since 2004. It was \$21 billion in 2006. This is more than the cumulative total in all proceeding years since 1994. Ukraine now has laws that allow international firms to buy Ukrainian property and has a mechanism in place to compensate these firms in case the property is later nationalized.

Security

As a prominent member of the Soviet Union before its collapse in 1991, Ukraine finds that its former partner--Russia--is now the greatest threat to its security. Though it has the third largest population in Europe and good natural resources, Ukraine's large debt obligations and domestic political situation have left it without much influence beyond its borders.

Centuries of Russian domination have left Ukrainians wary of Moscow, but Ukraine is still dependent on Russia for trade and energy. Following the breakup of the Soviet Union, Ukraine and Russia experienced great tensions over assets in the Crimea region. These in-

cluded ownership and division of the Soviet Black Sea military fleet stationed there. These disputes were ultimately resolved peacefully. Ukraine established its own military force of about 780,000 troops, using equipment inherited from the former Soviet Union. The government passed defense reform legislation in 2004 to strengthen civilian control of the military, modernize its structure, and reduce its numbers. It is down to about 225,000 troops now and will be down to 143,000 by 2011.

Ukraine actively participates in global security matters. For several years, Ukraine has been working with NATO due to its airpower capabilities. In 2005, NATO offered Ukraine an Intensified Dialogue on Membership Issues. Russia is opposed to Ukraine joining NATO because it sees Ukraine's participation in the alliance as a security threat. But that is precisely why Ukraine is moving closer to integration with NATO and the EU.

Ukraine is an active participant in peacekeeping exercises. Currently the country is involved in six peacekeeping missions. Initially, Ukraine had 1,600 troops in Iraq. After an incident in 2004 when eight Ukrainians were killed, only a token force of about 50 troops remain in Iraq, and only in support roles.

The US war on terror has increased Western efforts to ensure that weapons of mass destruction do not leave Ukraine. It will be a priority to ensure that such nuclear expertise and weapons-related materials left over from the Soviet Union do not find their way into the hands of terrorists. In October 2001, the US and Ukraine signed an agreement to establish a system of control

Ukraine: Security	
Military expense as % of GDP (2005)	1.4%
Military expenditures (millions)	\$618
Military expense per capita	\$13.43

Ukraine

over such weapons. The US has allocated \$4 million per year to fund the program. In September 2002, a large international scandal erupted after evidence emerged that the Ukraine president may have authorized the sale of radar systems to Iraq.

Nuclear proliferation is a concern in regards to Ukraine. Even though the country was the site of the worst nuclear disaster in the world (Chernobyl) the country has

plans to build 11 new nuclear plants by 2030. Despite US efforts to establish a system of control over nuclear WMD, the more nuclear power plants Ukraine has, the greater the odds that a terrorist could eventually obtain bomb-making material.

Ukraine does not have any significant problems with domestic terrorism.
